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Canada - Canadian Trade Relations
Standing Committee on, 1947/48

1947-48

(THE SENATE OF CANADA)

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PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

Canadian Trade Relations

To whom was referred the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the Complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

No. 2

WEDNESDAY, DECEMBER 17, 1947

CHAIRMAN

The Honourable W. D. Euler, P.C.

WITNESSES:

Mr. H. B. McKinnon, Chairman, Tariff Board;
Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance;
Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce.

OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1947



ORDER OF REFERENCE

*(EXTRACT from the Minutes of the Proceedings of the Senate 15
December, 1947)*

The Honourable Senator Robertson, seconded by the Honourable Senator Copp moved—That the Standing Committee of the Senate on Canadian Trade Relations be directed to inquire into and report upon the subject matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

That the said Committee be authorized to send for persons, papers and records.

After Debate, and—

The question being put on the said motion, it was—

Resolved in the affirmative.

L. C. MOYER,
Clerk of the Senate.

MEMBERS OF THE STANDING COMMITTEE ON CANADIAN TRADE RELATIONS

The Honourable W. D. EULER, P.C., *Chairman*

The Honourable Senators

Ballantyne	Dessureault	McLean
Beaubien (<i>Montarville</i>)	Duffus	Moraud
Bishop	Euler	Nicol
Blais	Gouin	Paterson
Buchanan	Haig	Pirie
Burchill	Howard	Riley
Calder	Hushion	Robertson
Campbell	Jones	Robicheau
Daigle	Kinley	Turgeon
Davies	Macdonald (<i>Cardigan</i>)	Vaillancourt
Dennis	MacLennan	White—(34).
	McKeen	

MINUTES OF PROCEEDINGS

WEDNESDAY, December 17, 1947.

Pursuant to adjournment and notice the Standing Committee on Canadian Trade Relations met this day at 10.30 a.m.

Present: The Honourable Senators:—Euler, Chairman; Ballantyne, Bishop, Campbell, Davies, Duffus, Gouin, Haig, Howard, Hushion, Kinley, MacLennan, McKeen, McLean, Moraud, Nicol, Paterson, Robertson, Turgeon, Vaillancourt and White, 21.

Mr. J. F. MacNeill, K.C., Law Clerk and Parliamentary Counsel, the Senate, was in attendance.

The official reporters of the Senate, were in attendance.

The Committee resumed consideration of the subject-matter of the General Agreement on Tariffs and Trade, including the Protocol of Provisional Application thereof, annexed to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment held at Geneva from April 10 to October 30, 1947, together with the complementary agreements of October 30, 1947, between Canada and the United States of America and between Canada and the United Kingdom.

Mr. J. J. Deutsch, Director of Economic Relations, Department of Finance, was again heard and questioned.

Mr. H. B. McKinnon, Chairman, Tariff Board, was again heard; gave an outline of the manner in which the negotiations for tariff concessions were conducted at Geneva, and was questioned.

Mr. H. R. Kemp, Director of Commercial Relations Division, Department of Trade and Commerce, was heard with respect to the details of the agreement, and was questioned.

At 12.45 p.m. the Committee adjourned until tomorrow, Thursday, 18th December, 1947, at 10.30 a.m.

Attest.

H. ARMSTRONG,
Clerk of the Committee.

MINUTES OF EVIDENCE

THE SENATE

WEDNESDAY, December 17, 1947.

The Standing Committee on Canadian Trade Relations resumed this day at 10.30 a.m.

Hon. Mr. EULER in the Chair.

The CHAIRMAN: Gentlemen, we now have a quorum. Please come to order. Mr. Deutsch gave a complete statement yesterday on the information he has to offer; however, he tells me that he did not say all he could have said. Unless there are further questions the committee members wish to ask him, we will now let him retire and call on Mr. McKinnon. First, are there any further questions to be asked Mr. Deutsch? If there are, will you please ask them now.

Hon. Mr. KINLEY: Mr. Chairman, one question which occurred to me yesterday was that of non-discrimination. I believe Mr. Deutsch conveyed the opinion that if two countries were offering a product for sale, and they were in the agreement, that the lower price had to be accepted; in other words, a country had to give an order on a tender, as it were, to the lowest bidder. It seems to me that is going farther than free enterprise has ever gone, in the way of binding anyone to buy at the place where the price is the only controlling factor. I could not find that the charter went that far. Perhaps Mr. Deutsch a little later might tell us how definite he can be on that point.

The CHAIRMAN: Would you answer that question now, Mr. Deutsch?

Mr. DEUTSCH: Mr. Senator, I did not intend to convey the impression that the charter required a country to sell to the lowest bidder, taking only the price into consideration.

Hon. Mr. KINLEY: I think you said, Mr. Deutsch, taking the price as a major factor.

Mr. DEUTSCH: If I did leave that impression, I did not intend to do so, and I am incorrect. What I meant, Mr. Senator, was taking everything into account, of which price is one of the factors; in other words, it is a proposition of taking into account the price, terms, length of period over which the sale is transacted, quality and all those things. If a government is making a sale through a state trading organization, it is required to act in the same way that a private seller would act, taking into account the question of price, terms of sale, quality and all those relevant things; in other words, they are commercial considerations which include more than the price, but of which the question of price is one of the factors.

Hon. Mr. KINLEY: Who is the judge of that?

Mr. DEUTSCH: In the first instance of course the parties to the agreement, to the sale, are the judges; but if a state trading transaction is made and some other member country feels that transaction was not made on commercial considerations, that country may then complain and ask for an investigation of the transaction. If that complaint is sustained, it has certain remedies.

Hon. Mr. KINLEY: I have just one more question, Mr. Chairman. How much will this general agreement cramp our style if we desire to make a bilateral agreement with the United States?

Mr. DEUTSCH: You mean by that a tariff agreement?

Hon. Mr. KINLEY: I mean, if we want to make an agreement. You notice that in the House of Commons yesterday the Minister spoke of making a new trade agreement with the United States. We are controlled by the General Agreement in anything we do together?

Mr. DEUTSCH: Whatever further agreement is made with the United States, if such further agreement is made, it would have to conform to the requirements of the General Agreement, and any tariff concessions and reductions that are made by either country would have to be given to all the other countries whose representatives signed the General Agreement. The most-favoured-nation treatment rule would require that. Of course, in making such an agreement one would keep in mind that the benefits would have to be given to all other countries, and you would select the items in such a way that the benefits would go, of course, as largely as possible to the two countries which made the agreement.

The CHAIRMAN: Would that apply as well if Canada made certain agreements with other members of the British Commonwealth?

Mr. DEUTSCH: If Canada made agreements with other members of the British Commonwealth, you would be bound by the provisions laid down in the General Agreement concerning preferences. Under those provisions we cannot do anything which will widen any preference—

The CHAIRMAN: —that exists now?

Mr. DEUTSCH: —that exists now. That is one of the obligations in the General Agreement. Existing preferences may be maintained.

The CHAIRMAN: But nothing beyond that.

Mr. DEUTSCH: They cannot be widened or extended. That of course would affect any arrangement you made with any Commonwealth country, so if you reduced any rates with other Commonwealth countries you would have to bring down the m.f.n. rate by the same amount, so as not to widen the preference.

Hon. Mr. KINLEY: Is the preference affected on things that have not yet been thought of; that is, if there is a new item?

Mr. DEUTSCH: No new preference is allowed, senator.

Hon. Mr. KINLEY: Therefore this agreement wipes out preferences. For instance, with the United States: we are their best customers and they are our best customers. Naturally, for Canada, preference is better than lowering the tariff, because you get preference over your competitor. That is wiped out?

Mr. DEUTSCH: Yes, you cannot establish new preferences.

Hon. Mr. KINLEY: For instance, they gave us a preference over Norway in respect of fish, and also preference over some countries which have a low standard of living. But that is wiped out now?

Mr. DEUTSCH: You are referring, senator, to the 1911 proposals?

Hon. Mr. KINLEY: Yes.

Mr. DEUTSCH: Well, that would not be permitted now. We could not make reductions which apply only to Canada and the United States. Under the most-favoured-nation rule you would have to give those same reductions to all other countries that signed the agreement. But as I said before, you would select your items, naturally. We would select the items which would be the major ones concerning ourselves and the United States but which might not be of very much concern to the other countries. By selecting your items in such a way you could get something which would be of benefit to the two countries.

Hon. Mr. KINLEY: Of course the arrangement is always made with the country that is the chief supplier?

Mr. DEUTSCH: That has been the general rule. At Geneva, I think Mr. McKinnon explained, negotiations between any two pairs of countries were

confined to the items in which those two countries were one another's chief suppliers, and therefore of course they were the ones principally interested in that particular concession.

Hon. Mr. KINLEY: To what extent does the United States release hold on Cuba?

Mr. DEUTSCH: I think Mr. McKinnon could answer that question.

Hon. Mr. KINLEY: They are in the same position with Cuba as we are with the British Empire?

Mr. DEUTSCH: Exactly.

Hon. Mr. KINLEY: And, really, with the Philippines too?

Mr. DEUTSCH: The Philippines are slightly different. In the case of the Philippines there is a treaty with the United States, I understand, whereby the preferential treatment given to the Philippines is being reduced gradually over a period of years so that finally all preferences will disappear.

Hon. Mr. KINLEY: I have just one more question that I wish to ask. Is there a provision in this charter that existing laws must be respected?

Mr. DEUTSCH: Do you mean generally throughout, senator?

Hon. Mr. KINLEY: Well, that the existing laws of countries must be respected. It does not cancel any?

Mr. DEUTSCH: It is not strictly so. In a number of cases existing regulations and existing requirements are allowed to be maintained, but no new ones may be introduced. What you have said is true in some instances but in other cases where existing laws conflict with the obligations, those laws have to be changed. That is particularly so in the case of customs administration. Many countries will have to change their customs laws. It is not a general rule but it applies in many cases. For instance, I believe it is true that a number of countries have mixing requirements where they require that the domestic manufacturer must use a certain proportion of the domestic raw material. That was particularly true in respect to wheat in Europe. Flour millers were required to use a certain proportion of home grown wheat. In that case the existing mixing requirements may be retained, but the country must be prepared to negotiate those existing mixing requirements and it cannot impose any new mixing requirements. What you say is true to a certain extent but in other cases existing laws have to be changed, particularly in respect to customs administration.

Hon. Mr. KINLEY: You said something yesterday that seemed rather new to me with regard to the bonus of subsidies. If you were to give your subsidy generally, that is, for home consumption and export, it would be all right; but if you only gave it for export you would be going against it.

Mr. DEUTSCH: Yes.

Hon. Mr. DAVIES: This schedule was made as a result of a lot of negotiation?

Mr. DEUTSCH: Yes.

Hon. Mr. DAVIES: What percentage of the duties was lowered and what percentage was increased?

Mr. DEUTSCH: That comes under Mr. McKinnon. He was in charge of the tariff negotiations.

The CHAIRMAN: Honourable senators, unless there are further questions I think we may regard that we have had a complete discussion on the charter.

Hon. Mr. CAMPBELL: What is the position with respect to oleomargarine?

The CHAIRMAN: Order.

Hon. Mr. HAIG: That will come under Mr. McKinnon also. He will answer that better.

Mr. DEUTSCH: As I explained yesterday, under the text of the general agreement there is a general provision that quantitative restrictions, in general, are prohibited and that includes, of course, any direct controls on exports or imports and also includes any prohibitions, and under this charter, prohibitions are not permitted.

Hon. Mr. HAIG: If they are in existence.

Mr. DEUTSCH: Even if they are in existence.

Hon. Mr. KINLEY: But the charter provides many reasons why it can be prohibited, especially with regard to articles of the forest, farm and the sea. For health and many other reasons there are a large number of escape clauses so that there is no danger. I mean to say, the escape clauses of this treaty just give a nation the right to do as it pretty well likes.

Mr. DEUTSCH: I do not think that is true, sir.

Hon. Mr. KINLEY: As long as they do not interfere with the right of the other fellow.

The CHAIRMAN: Is this not the situation with regard to oleomargarine, in which I am only slightly interested: the prohibition against the importation of margarine will have to be removed.

Mr. DEUTSCH: That is right.

The CHAIRMAN: But Canada has the right—and I am told it will be exercised—to put a prohibitive tariff against oleomargarine.

Mr. DEUTSCH: The rate on oleomargarine was not bound and therefore we are free to do what the government decides about the rate on margarine, but so far as the prohibition is concerned, this general agreement will not permit the continuance of the prohibition on oleomargarine.

The CHAIRMAN: Taking off the ban, as we must and imposing a duty, which in effect is exactly the same, is that in harmony with the spirit of the charter?

Mr. DEUTSCH: Since we have not bound the rate on margarine, it is quite within the spirit of the charter to put whatever rate we wish to put on margarine.

The CHAIRMAN: Even though it has the same effect as the removal of the ban?

Mr. DEUTSCH: Yes, even though it could have the same effect. In other words, it is understood by all the countries who participate in this agreement that where a nation does not bind a particular tariff, it can put on whatever rate it wishes to.

The CHAIRMAN: Then I misunderstood you yesterday. I thought you could do it only if it had to do with a difference in the exchange.

Mr. DEUTSCH: No, if you do not bind a tariff you are perfectly free to put that tariff in any position you wish, and all the countries know and understand that situation.

Hon. Mr. DUFFUS: Will the mixing arrangement work out to the advantage of agriculture in Canada in so far as fertilizer is concerned?

Mr. DEUTSCH: Well, senator, if we have any mixing regulations at the present time, before this agreement goes into effect, we may continue those particular regulations, but we cannot add any new ones. And we must be prepared to negotiate for the elimination of those regulations if other countries ask us to negotiate.

Hon. Mr. KINLEY: Mr. Chairman, may I refer the witness to article XI on page 26 of this pamphlet entitled "Final Act"? It is headed "General elimination of quantitative restrictions", and it seems to give pretty wide powers.

Mr. DEUTSCH: I must make clear to honourable senators that yesterday I covered the charter in a very general and summary form, without going into all the details. I do not want to create the impression that I covered everything, for I did not.

Hon. Mr. KINLEY: I was simply suggesting that article XI gives ample power to deal with the question that we were discussing.

Mr. DEUTSCH: Yes, article XI could possibly provide a way out, but I think it is not within the spirit of this agreement to use the article in that way.

Hon. Mr. KINLEY: The letter of the law is the thing that counts when you are interpreting a contract.

Hon. Mr. BISHOP: I suppose that at Geneva the delegates ate oleo-margarine?

Mr. DEUTSCH: Yes, I think we did.

Hon. Mr. BISHOP: And you all came back all right.

Hon. Mr. BOUFFARD: Is there anything in the agreement that would prevent a province from imposing a direct tax on an imported product?

Mr. DEUTSCH: That is partly an internal constitutional question, senator. There is no doubt that a province can impose a sales tax on both domestic and imported products. But if a province attempted to tax imports as such it would run into domestic constitutional difficulties, quite aside from any question of obligations under this charter. A province could not tax an article which was imported and of which there was no domestic production. There is a clause in the charter which says that you must not use this device as an indirect way of giving protection.

Hon. Mr. BOUFFARD: How would you prevent a province from taxing imports?

Mr. DEUTSCH: Some other country would complain, and you would be brought before the organization and asked to explain why you were not observing the provisions of this agreement.

Hon. Mr. BOUFFARD: The provinces are not a party to the agreement.

Hon. Mr. HOWARD: The provinces have not got power to put a tax on imports.

Mr. DEUTSCH: That is a federal matter.

Hon. Mr. MORAUD: A province can impose a sales tax on goods, whether they are imported or not. That is not a tax on imports; it is a regular sales tax.

Mr. DEUTSCH: In cases where the tax falls on both the domestic and imported goods there would be no difficulties, Mr. Senator, but if the imports only were picked out and made subject to tax there would be difficulties.

Hon. Mr. MORAUD: What would be the difficulties? The province has the right to do that.

Mr. DEUTSCH: Has the province the right to tax imports only?

Hon. Mr. MORAUD: If it desires to impose a tax on commodities not manufactured in Canada, it may do so.

Mr. DEUTSCH: Then in that case other countries could complain that we are using this device as a direct way of keeping out imports, and Canada would have to explain why she is not adhering to this agreement.

The CHAIRMAN: Could not the problem be answered in this way, Mr. Deutsch: Supposing one province, and for argument purposes we will take the province of Quebec, puts a tax on imports from the United States. The United

States could still export those goods to the province of Ontario, and Ontario could in turn freely send them into the province of Quebec. In that way I should think they could evade the tax.

Mr. DEUTSCH: That is one way.

Hon. Mr. BOUFFARD: There is nothing to prevent the province imposing a tax on commodities now coming from the province of Ontario.

Hon. Mr. MORAUD: It goes to a question of an interpretation of the B.N.A. Act. We have the absolute right to impose sales tax, whether it be on domestic goods or not; we would still have that right, regardless of whether another nation might launch a complaint to the federal government.

Mr. DEUTSCH: Mr. Senator, if a case like that arose, I think another country would complain and Canada would be required to explain why this was being done. If the organization felt that Canada should stop taxing in that way, then it would be a matter to be settled between the dominion and the province. As to how it would be settled, I cannot say.

Hon. Mr. MORAUD: We are now taxing gasoline, and a good many other things.

Mr. DEUTSCH: There is no question, Mr. Senator, but that the province has the right to apply the sales tax. We are not questioning that.

Hon. Mr. KINLEY: That is direct taxation.

Mr. DEUTSCH: Yes. In the case of gasoline, the province is not making a distinction between imported and domestic gasoline. Under those circumstances that is permitted, and there is no difficulty about it.

The CHAIRMAN: If there are no further questions to be asked of Mr. Deutsch, we will drop the matter so far as the charter is concerned. We have the agreements themselves to deal with; Mr. McKinnon will give us information as to the tariff concessions Canada is making, and Mr. Kemp, of the Department of Trade and Commerce, as to the concessions which we are receiving. Is that correct, Mr. McKinnon?

Mr. McKINNON: That is right.

The CHAIRMAN: In accordance with the wish of Mr. McKinnon, I should say at the outset that he will make a brief statement.

Mr. McKINNON: Mr. Chairman and honourable senators, Mr. Deutsch has explained the meaning and terms of the charter, which of course as he stated yesterday is a draft charter; it will remain a draft charter until it is disposed of one way or another at Havana. Mr. Deutsch also made clear a most important point in the charter, namely, the relationship of the charter itself to the abridged but very useful edition thereof, known as the General Agreement; in other words, he has explained the law in the matter as it exists at the moment, and as I understand the wish of the committee, it is to examine now the application of the law in detail. It might make it easier for the committee to decide upon the method of technique in questioning if I said a few words about the manner in which the tariff negotiations as such were conducted in Geneva.

While the draft charter and general agreement to which Mr. Deutsch alluded yesterday and again today, were being hammered out, so to speak, in various committee rooms, the detailed tariff negotiations among the countries represented at Geneva were also taking place. Each delegation representing the countries comprised officials who gave their time entirely to the charter and the text of the agreement; there were also officials who put their entire time on the matter of negotiating tariff arrangements with other countries. A word or two about the atmosphere might be useful.

Many of the larger countries had quite big delegations and had a considerable number of tariff negotiating teams, by reason of which they could negotiate

with several countries at one time. I think the United States, for instance, was able to negotiate at one time with some ten or twelve countries. Other countries with smaller delegations had perhaps two or three tariff teams. Canada had one tariff team, and while that meant very intensive and steady work in connection with the tariff negotiations, it had the advantage that the team was a cohesive unit and we at least did not have to have a meeting each night to see what each other had received or given away during the day. We worked together all day, every day.

For the most part the negotiations were conducted in English, but naturally certain negotiations with France and the French colonies, and to some extent with the countries of what is now known as "Benelux" which is the customs union of Belgium, Luxembourg and the Netherlands, French was used as much as English. With respect to one or two South American countries, we used English part of the time, French part of the time, and Spanish in circumstances where the other team was not able to use French or English, particularly as to the technical language of tariff items.

Just as you have now examined Mr. Deutsch regarding the text of the agreement, and now wish to examine Mr. Kemp and myself regarding the details, it might be well to keep in mind that within our own delegation there was just a two-way division of responsibility and labour. I emphasized yesterday in my opening remarks that I was regarded as the chief of the negotiating team because of age and experience; it was Mr. Kemp's responsibility and that of his colleagues from the Department of Trade and Commerce, as representing the branch of government interested in securing exports for Canada, to determine what our team should ask for, from whom and by how much. Naturally, in making his decision about what we should ask for in any particular commodity from any particular country he had also the advice of specialists from such departments as the Department of Agriculture and the Department of Fisheries. Once he had decided what he would ask for, and had presented his case, it then lay upon us as a team to decide at the end of the day how far the other country had been forthcoming in meeting Mr. Kemp's request, and to appraise the result generally, and then it fell to my side of the team to determine how Canada would pay for the concession that we were receiving; in other words, what reduction should be made in the Canadian tariff as a quid pro quo for what we were receiving either on that particular commodity or in general if we looked at the agreement as a whole.

Now, sir, since this is in a sense horse-trading, one could not always put his whole case on the table before the other team. Both sides had to use the trading instinct, and each had to make up its own mind when it had pushed a request as far as was reasonably possible and practicable to push it; and when that point was reached, decide how much if anything should be given in return. As a general rule, the technique of all negotiating teams was to press their demands upon the other country first, and consider what they would give in payment only after they had heard the reply of the other country. I think that would be the technique followed by most traders, Mr. Chairman, in dealing with any commodity, or even in trading horses. You want to know first what you may get. There is sometimes the disposition to make the offer first. If you make the offer first, then of course the onus is on you of immediately deciding what the situation is when you get the reply to the offer. I mention that because of the fact that the United States technique, as I think is pretty well understood, was to make offers. I should explain that the reason that was the case with the United States more than with any other country was that their teams were definitely restricted in the extent to which they could or might go, no matter what they might get; because the President himself is limited in the extent to which he can make a concession to another country, regardless of the concession

he is getting in return. In other words, he may not transfer an item from the dutiable list to the free list, nor may he give a reduction of more than 50 per cent.

The CHAIRMAN: Could not they tentatively reduce further than 50 per cent in the hope that Congress would ratify?

Mr. McKINNON: No, not under their Act, Mr. Euler. They are restricted to 50 per cent. Therefore the United States was in the position of being able to say before they ever went to Geneva, "Well, we have certain powers, certain discretion, but only certain discretion. We may as well make an offer." Other countries, not similarly inhibited, naturally used the trading instinct and asked for what they wanted first, and only when they knew what they were getting were they prepared to make an offer in return.

The CHAIRMAN: Would they be apt to make an offer any greater than 50 per cent since the United States could give only 50 per cent?

Mr. McKINNON: No, except in the odd case. I will come to some instances where it cost little or nothing to make an offer better than 50 per cent but where that concession was deemed to be most important by the other country.

Now, that having been the technique in the bargaining, it might be the desire of the committee to approach this detailed examination by somewhat the same method. In other words, what I am suggesting before we start to go into the heart of the situation item by item is this, that the committee might like to know what we got first, in detail, and then ascertain what we paid for it, in detail; or, as Senator Ballantyne, I think it was, suggested yesterday, might prefer to ascertain first what we paid and later ascertain what we received? Mr. Kemp and I are in the hands of the committee on that, but it will greatly facilitate discussions if the direction is one way or the other.

The CHAIRMAN: I do not think it makes very much difference.

Hon. Mr. HOWARD: I think we had better get what we received.

Hon. Mr. HAIG: I think we had better get what they offered us, and then what we paid for it. That, as I understand it, is the technique which was followed.

The CHAIRMAN: Is that the wish of the committee? Carried. No opposition.

Mr. McKINNON: I presume, Mr. Chairman, the members of the committee will probably in most instances refer to a certain commodity and ask what happened on that, and from whom we got concession, and how much.

Hon. Mr. CRERAR: While I am not a member of the committee, Mr. Chairman—I thought I was, yesterday—I presume I am permitted to say a word.

The CHAIRMAN: You are quite in order.

Hon. Mr. CRERAR: We might hear from Mr. McKinnon or Mr. Kemp perhaps in a somewhat general way the concessions we have received, especially from the United States, and what we have been obliged to surrender to reach an agreement.

The CHAIRMAN: You mean, in a general way, without particular items?

Hon. Mr. CRERAR: A general statement, without going at the moment into detailed items.

Mr. McKINNON: Might I, as chief of the team, just say a word, and then let Mr. Kemp take over in detail? We went to Geneva under instructions to get the maximum possible concessions from every country represented there, and we never lost that as our objective. In most cases we asked for the sky, on the ground that he who shoots at the sky will hit higher far than the man who shoots at a tree. We did not always get everything we wanted, but, if we take the United States concessions first, we were fortunate in being able to secure either substantial or in many cases the maximum reduction on almost

every agricultural export of any substantial importance to Canada. That is to say, all the grains, including wheat—Mr. Kemp will go into detail about the duty and the removal of the quota—all the coarse grains, all the bran, shorts, middlings and mill feeds, practically all the seeds, the enlargement of the quota on cattle, enlargement of the quota on calves, further reduction of the duty on milk and cream, maximum reduction on all live poultry, which is now becoming a big trade with the United States; maximum reduction on practically all dressed poultry, the only item excluded being turkeys; maximum reduction, for the third time, a 50 per cent reduction if I remember correctly—certainly the third reduction—on table turnips.

The CHAIRMAN: May I ask you something right there? The President of the United States is limited to a reduction of 50 per cent. Can he make that repeatedly?

Mr. McKINNON: Yes.

The CHAIRMAN: He can reduce it practically to nothing by that process?

Mr. McKINNON: I could illustrate that by referring to those beautiful table turnips, senator, which come from the Maritimes, and also from Wellington and Grey counties, Ontario, which go over dipped in wax, and which represented last year some three million dollars worth of exports from this country. In 1935 we negotiated with the United States and got the duty reduced from 25 to 12½ per cent. It was later reduced to eight, if I remember correctly, and we have now cut it down to six and one-quarter cents. Reference was made to a further negotiation. If there ever should be such, it would be competent unless the United States law was changed to make a further reduction of fifty per cent. In other words, sir, the fifty per cent is limited to the one occasion. It is not that the pitcher will go to the well only once, but on each going it will fill only fifty per cent.

Hon. Mr. McKEEN: Does there have to be a session of congress in between?

Mr. McKINNON: No.

Hon. Mr. TURGEON: Would the first concession made have to be adopted by congress before the second was made?

Mr. McKINNON: No, sir.

Hon. J. A. McDONALD (*King's*): Ordinarily there would not be more than one reduction a year?

Mr. McKINNON: I think not. Two negotiations may be held within a twelve-months period, but I doubt if their law has ever envisaged such a situation, and there is no suggestion that any particular length of time must elapse between one reduction and another.

Hon. Mr. DUFFUS: Why was there not a reduction on turkeys?

Mr. McKINNON: In reference to this matter possibly the press might not use the name of the country because it might embarrass the United States. Turkeys were excluded from our negotiations on the ground that we are not the principal supplier. The principal supplier is another country and in the expectation and hope that that country will ultimately join the negotiating countries, the United States naturally withheld the reduction on turkeys because it would be of major importance to the other country and if and when it gets the reduction we will share in the benefit. That, by and large, Senator Crerar, was the picture on agriculture. As regards forest products, we get a maximum reduction practically all the way through the list in the United States, and in most cases this was the second, if not the third, reduction on most of the lumber in which we are interested as exporters. In base metals we get the maximum reduction on most of them including nickel, copper, tantalum, cadmium, tungsten and practically all the aluminum. It included all the base materials excepting lead. Again lead is reserved because another country, whom perhaps I should

not name, is the chief supplier and no doubt will be negotiating with the United States in this respect, and therefore they reserved lead for the purposes of these negotiations.

In fisheries products—and here I know a number of the members of the committee are particularly interested inasmuch as reference was made to fish several times yesterday—although we secured very substantial concessions from the United States in 1935 and 1938 on both salt and fresh water fish, we were able again this time to get reductions across the board, and in many cases, the maximum reduction on almost every type of fresh water fish.

Hon. Mr. McKEEN: What reduction did they get on canned fish?

Mr. McKINNON: I think you are referring to one type of canned fish, are you?

Mr. McKEEN: Yes, canned salmon.

Mr. McKINNON: We received no reduction on canned salmon and we gave none. The situation back of that will be brought out by Mr. Kemp.

Hon. Mr. McKEEN: The reason I raise the question is that it created a serious situation on the Pacific Coast because the fish they use for canned salmon will now probably go out of the country on a lower duty and the cannery has the high barrier against them in trying to sell the product in the United States, and that works to the disadvantage of the cannery.

Mr. McKINNON: I think I might say, Senator McKeen, that we are aware of the situation you have referred to. But since the premium paid by the United States canneries has been from eight to twelve cents above the Canadian price, I do not think we could quite say that the reduction of one-half cent in the duty has been the cause of the situation. It may not have done anything to alleviate it, Senator McKeen, but when they already were paying a premium of eight to ten or twelve cents for our fish, the mere fact we got the duty reduced a further half cent has hardly a causative effect on the situation.

Hon. Mr. McKEEN: What you say is right, but the situation has been aggravated.

Mr. McKINNON: We shall discuss the situation in greater detail when we come to the salmon item. There is a second reduction now on all the fresh water fish, particularly that of Western Canada. Western Canada is becoming a tremendous exporter of fresh water fish.

Hon. Mr. HAIG: Principally Manitoba.

Mr. McKINNON: That is right, sir, and in pressing for a reduction on fresh water fish we were getting an advantage for the prairie provinces in what should be a great potential market. I have now mentioned agricultural and forest products, minerals and fisheries.

Hon. Mr. CRERAR: May I ask a question at this time which might have to be answered by Mr. Deutsch? In the shipment of fresh water fish from Western Canada to the United States, on more than one occasion—one occasion at least—such shipment or shipments were prohibited because of parasites in some of the fish.

Mr. McKINNON: That is right.

Hon. Mr. CRERAR: The discrimination against our fish was undoubtedly a protective measure. Will that be likely to arise in the future?

Mr. McKINNON: That is really under the agreement rather than the schedule.

Mr. DEUTSCH: In the future, Senator Crerar, they could keep our products out on the grounds of health but I do not think they would be permitted to use that as a cover for protection. As a matter of fact, the charter states specifically

that you can regulate imports on the grounds of health, but you cannot use that as a cover for protection. Therefore, if we felt that they were doing so we would have grounds for complaint.

Hon. Mr. KINLEY: This is a very perishable product and it has got to be good. You cannot ask people to take fish that is not good.

Mr. McKINNON: That raises an interesting point, Senator Kinley. A product that is going into the United States from your part of the country and contiguous territories must be of pretty good quality. I am referring particularly to the fillets. If I remember correctly, the consumption of our fillets in the United States was 40 million pounds last year and this fish was being trucked inland as far as Chicago, and it was the very fact that our producers had reached and exceeded their quota that made them so anxious to get the ex-quota rate bound. We were told by the United States negotiators that that was a complete impossibility because, having exceeded the quota, they felt the most they could do was let us maintain the quota position but not bind the ex-quota rate. In the end we were very fortunate in being able to maintain, not only our quota and the quota rate on this tremendous trade on cod fillets, but to get the ex-quota rate bound as well.

Hon. Mr. KINLEY: That has been a very important problem, and with regard to the present quality of fillets they are now subject to a very minute inspection by light, and I think the inspection on the other side is pretty severe also.

Mr. McKINNON: I should imagine they are very strict.

Hon. Mr. BISHOP: May I ask, do these concessions with the United States require the consent of Congress?

Mr. McKINNON: No, it is under the executive authority, Senator Bishop.

Hon. Mr. BISHOP: If there is a new agreement with the United States along the line indicated by Mr. Abbott yesterday, that would be made by the same authority?

Mr. McKINNON: I was not in the house when Mr. Abbott spoke yesterday and I have not had the advantage of reading what he said. Mr. Deutsch may know what the Minister said.

Mr. DEUTSCH: If we sought to make with the United States a new agreement which would involve transferring American items to the free list, we could not operate under the existing authority. It would be necessary to go to Congress then.

Hon. Mr. BISHOP: But if there is simply a reduction of duty, that can be taken care of under the existing authority?

Mr. DEUTSCH: If it is simply a reduction of duty by not more than 50 per cent, it can be done under the administration's powers, but any reduction beyond that could not be made without authorization by Congress.

Hon. Mr. KINLEY: The charter that we are dealing with now must pass the United States Senate, must it not?

Mr. DEUTSCH: Yes, senator, because in order to implement the charter the United States would have to change a number of its laws, and that can only be done by Congress.

Hon. Mr. KINLEY: But the schedule is brought into operation by the President?

Mr. DEUTSCH: Yes.

Mr. McKINNON: In my answer to Senator Crerar's question I used the United States as a general illustration, but what I said about the United States might be said about most of the other countries to which we have referred.

Hon. Mr. SINCLAIR: Mr. McKinnon, you got some concession on potatoes?

Mr. McKINNON: Yes, senator.

Hon. Mr. SINCLAIR: Would you describe them to the committee?

Mr. McKINNON: Very briefly, senator, I may say that we got no change at all in the quota for table potatoes.

Hon. Mr. SINCLAIR: No change in the duty?

Mr. McKINNON: No, sir.

Hon. Mr. SINCLAIR: But was there not a change in the quota?

Mr. McKINNON: Not on table potatoes. And quite frankly, sir, we did not press too far on the table stock, because we felt that we should put the weight of our fire on seed potatoes instead, so as to try to get a substantial betterment in the treatment of seed stock, of which we are becoming now so important a source of supply. As you know, we did get the quota on seed potatoes increased from one and a half million to two and a half million bushels.

Hon. Mr. SINCLAIR: Did you get a further concession on seasonal duties?

Mr. McKINNON: On seed potatoes or on table potatoes?

Hon. Mr. SINCLAIR: On both.

Mr. McKINNON: No, sir, there is no change in the duty of $37\frac{1}{2}$ cents on seed potatoes, but the quota is enlarged from one and a half million to two and a half million bushels. There is a small change in the duty on table stock. The 60 cents seasonal rate was dropped, and the rate of $37\frac{1}{2}$ cents within the quota of one million bushels is now applicable throughout the year. Beyond the quota the rate remains at 75 cents per hundred pounds.

Hon. Mr. SINCLAIR: Newspaper reports some weeks ago were that the seasonal duty of 60 cents per 100 pounds from the 1st of December to the last of February was cancelled. Is that right?

Mr. McKINNON: That is right.

Mr. KEMP: Yes, the 60 cents duty disappears.

Hon. Mr. SINCLAIR: Would that be done by executive order?

Mr. McKINNON: Yes.

Hon. Mr. SINCLAIR: They cancelled the whole duty.

Mr. McKINNON: I think we had better let that wait until we come to the details on the potatoes item.

Senator Crerar asked about furs. We already had exceptionally good treatment on most furs, and it was largely a case of binding the existing free entry or low rates, which we were able to do. What I have said about the United States applies in general to all the countries, particularly in Europe. In Europe we got concessions on such agricultural products as wheat, grain seeds, apples apple juice, dried apples, and canned apples, and on several of the base metals, not only in the primary form but on the rolling mill products which we are becoming more and more equipped to make, and on quite a number of manufactured goods.

There is one particularly interesting feature about negotiations with several of the European countries, and this relates to Mr. Deutsch's explanation of yesterday regarding state trading, Mr. Chairman. As he said yesterday, in the past Canadian exporters of wheat to most of the European countries were faced with a formidable if not insurmountable barrier, particularly during the last ten, twelve or fifteen years. In many countries this was comprised of not only a customs tariff, which is a known factor, but a trading margin by the state monopoly on top of the customs tariff, and the trading margin was a completely unknown factor. We might illustrate it by the case of France, where the

customs duty was 50 per cent. That was on the books, a matter of record, and a Canadian shipping wheat to France knew that the duty was 50 per cent. But on top of that was the trading margin exacted by the state monopoly. The monopoly might buy Canadian wheat at, let us say for purposes of illustration, \$1 a bushel, and decide to sell it to its own millers at \$2.50 a bushel, thereby artificially enhancing the price of domestically grown wheat in that country. Now, there was no control over the monopoly in any shape or form, because at that time there was no draft charter, and no item in any agreement dealt with it. Therefore we could not do much by way of complaining. We did know that instead of our wheat having to mount a customs tariff wall of 50 per cent, it was actually faced with a barrier of 150 per cent or more.

Mr. KEMP: It ranged from 90 per cent to 180 per cent.

Mr. McKINNON: That was by reason of the combination of the duty and the trading charge or profit of the monopoly. We felt at Geneva that we should attempt to attack the state trading technique in so far as it affected our exports. We had to make clear to the countries concerned that the Canadian delegation was not suggesting for one minute that they should change their method of doing business. We said: "We are not attempting to interfere. We are not suggesting that, if you want to grow the maximum possible amount of wheat for security or other reasons, you should not do so. All we are asking is that you let it be clearly known just exactly what the impediment to the importation of wheat is." With France, Belgium, the Netherlands and Norway we were successful in getting not only a reduction in the customs tariff, if any, but also a most substantial reduction in the monopoly charge to be levied by the state monopoly. These things are now agreed to and bound by our schedules, so in future we shall know exactly the total amount that intervenes between the landed cost of imported wheat and the selling cost of that wheat to millers in the country concerned.

Hon. Mr. HAIG: How much is that.

Mr. McKINNON: It varies with the different countries, sir. Mr. Kemp can show what it is when we get to the schedules, in respect of France, Norway, Belgium and the Netherlands. You see, sir, in one country it may be so many florins; in another country, it is a percentage rate and so on.

Hon. Mr. TURGEON: Do the import countries maintain the right to increase that margin charge so long as they notify the export country.

Mr. McKINNON: No, they cannot increase it at all. I could illustrate, for instance, in the case of France—subject to correction by Mr. Kemp—that the combination of customs duty and monopoly exaction annually ranged from 90 per cent to 180 per cent. Now we have the duty bound at 30 per cent and the monopoly charge at 15 per cent, or a total of 45 per cent, as against anything from 90 to 180 per cent. Of course the burden of 45 per cent depends upon the price of wheat, but it is better to know that even with dollar wheat, the duty is 45 cents than to export it with the possibility that on arrival in France it might pay 180 per cent.

Hon. Mr. MICHAUD: What portion of our wheat went to the particular countries mentioned before the 1932 agreement?

Hon. Mr. HAIG: Before the 1946 agreement.

Mr. McKINNON: Mr. Kemp will have to take you back over a considerable number of years with respect to our trade in wheat with the continent.

Hon. Mr. MORAUD: I do not mean with the continent, but with France and the other countries mentioned.

Mr. McKINNON: Czechoslovakia, Belgium, the Netherlands.

Hon. Mr. MORAUD: Czechoslovakia is out.

Mr. McKINNON: It was not only wheat, sir; flour followed wheat and in respect of flour we had a very substantial trade. As the result of this agreement, having got the wheat duty down, the duty charged on flour has been reduced in the same proportion, to retain the relativity between the raw material and the flour. In most cases the compensatory duty on flour is now down to an almost insubstantial tax.

The CHAIRMAN: Is the rate on flour 50 per cent, the same as on wheat?

Mr. McKINNON: It varies with every country, Senator Euler.

The CHAIRMAN: I am referring to France. Do not bother with that detail now. We can get it later.

Mr. McKINNON: If the committee would accept what I have said as a statement of what we got in general terms they may now wish to question Mr. Kemp as to the details on the various commodities.

The CHAIRMAN: Is the committee ready to hear Mr. Kemp?

Hon. Mr. CRERAR: I should like to know what we gave in return for all that we have received.

Mr. McKINNON: Perhaps having summarized it the one way, Mr. Chairman, it is quite in order to summarize it the other way.

Hon. Mr. PATERSON: Mr. McKinnon, before leaving the wheat question, may I ask you if we can ship our oats, wheat and barley to the United States as soon as this agreement goes into effect?

Mr. McKINNON: As far as the United States goes, the duties are down to 21 cents on wheat, four cents on oats, seven and a half cents on barley and six cents on rye. That is the only barrier as far as the United States is concerned.

Hon. Mr. HAIG: I would like to ask the senator from Thunder Bay to go to the government and get them to cut off the prohibition, and let our grain go to the United States.

Hon. Mr. PATERSON: I should like to find out if this agreement cancels the Canadian government regulations.

Hon. Mr. HAIG: No, they do not. You do not need to ask Mr. McKinnon that question—ask me.

Mr. McKINNON: Mr. Senator, my reply was that in so far as the United States regulations are concerned, those are the duties after the 1st of January.

Hon. Mr. HAIG: Being a small-town lawyer, Mr. McKinnon, I know the regulations; we cannot send our stuff over there because our government won't let us.

Hon. Mr. CRERAR: That is a different question from the one Mr. McKinnon was explaining.

The CHAIRMAN: We are now getting into a matter of policy.

Hon. Mr. HAIG: Senator Paterson asked a question, and we wanted to help a young man who is trying to make a living and get along in the world.

Hon. Mr. McDONALD (*King's*): Could Mr. McKinnon tell us something about the apple preferences?

Mr. McKINNON: I would prefer to leave apples, *qua apples*, to Mr. Kemp, but to answer Senator Crerar's question and yours in a general way: We paid for these concessions we got from fourteen or fifteen countries in two ways—either by impairment of the margin of preference that we enjoyed in some other commonwealth country or by reduction in our own tariff. Speaking generally with respect to the elimination of the margins of preference that we enjoyed in other commonwealth countries, they were extremely few in numbers, the most important elimination being, as Senator McDonald has stated, that of the apple preference in the United Kingdom.

Hon. Mr. HAIG: Has that preference gone?

Mr. McKINNON: The apple preference in the United Kingdom has gone.

Hon. Mr. DAVIES: What did it amount to?

Mr. McKINNON: The delegation was guided by certain considerations, such as this: That at the present time and probably for some time in the foreseeable future, the United Kingdom might not have the dollars to buy apples, even Canadian apples; secondly, that during the past decade or two the United Kingdom has become a tremendous producer of apples. I would not say positively to what extent, but I should not be surprised if to-day the United Kingdom was a greater producer of apples than Canada. Certainly there are in that country orchards that exceed by far the acreage of anything I have seen in Canada.

The CHAIRMAN: Are they able to produce enough for their own use?

Mr. McKINNON: I believe that they could produce this year all their requirements; they would not need to import a single apple. Apart altogether from considerations of exchange and trade agreements, they would not need to import an apple for their own use this year. The extent to which the orchards in Devon, Cornwall, Somerset and Norfolk have been developed is simply amazing. We had to keep in mind the consideration that we were dealing, as Mr. Deutsch intimated yesterday, with the livelihood of our people. The fact was that the United Kingdom market was becoming not only less attractive in that sense, but probably less real as regards the benefit of the preference; that is, in view particularly of the fact, in the short term, that she had no money with which to buy apples; and, in the long term, that it seems to be her policy to become self-sufficient in apples.

We had therefore to face, Senator McDonald, the question whether or not the preference was, in the light of all the concessions we were getting, worth retaining at any cost. We came to the conclusion, in the light of all the developments, that the best we could do was to attempt to get new markets for apples and to get as many concessions in other countries as we could.

Hon. Mr. McDONALD (*King's*): Just on that point, Mr. McKinnon, was there any pressure by the United States or any other nation as to the elimination of this particular preference?

Mr. McKINNON: No more pressure than was brought to bear by the United States in respect to many preferences. When we began negotiations the United States sought the elimination of all preferences. As that became obviously impossible, they demanded a substantial elimination of preferences, and then finally came to a demand for reduction of preferences. Naturally, in the trading they put emphasis on particular preferences and this was one of eight or ten which received special consideration. The negotiators having decided that this was one preference we might have to let go—and of course these terms are still subject to consideration by parliament, and our judgment may not be confirmed—we attempted to get as many concessions for apples as we could.

Hon. Mr. HAIG: In other countries?

Mr. McKINNON: Yes, in other countries. We got the duty reduced in the United States from 15 cents to 12½ cents. That does not sound very substantial. I could make it more pretentious by giving it in percentage.

The CHAIRMAN: That is per one hundred pounds?

Mr. McKINNON: Per bushel of 50 pounds. Since this reduction, our tariff is three times the United States duty. It does not seem that 12½ cents on fresh apples is a very substantial barrier with respect to exports from Canada to that market. In addition, we secured a reduction in the duty on fresh apples in

France, where we also got a reduction in the duty on canned apples, dried apples and apple juice. We also secured a reduction in the duty on fresh and dried apples in Belgium and the Netherlands, and on fresh apples in Norway. That applies, according to my memory, also to Czechoslovakia.

Hon. Mr. McDONALD (*King's*): The United States gave only a reduction of 15 to 12½ cents.

Mr. McKINNON: In respect to fresh apples, but keeping in mind the importance of apples to the maritime provinces, we naturally placed great emphasis on reductions with respect to other maritime province commodities, such as seed potatoes and turnips. We did this knowing that a reduction in the apple preference might be regarded as having a serious effect in the maritimes.

Hon. Mr. BISHOP: Were the British authorities quite ready to modify the preference in respect to apples?

Mr. McKINNON: The British authorities manifested no particular diffidence about seeing that preference go. I think that is obvious from the fact that the United Kingdom has become self-sufficient with respect to apples.

Hon. Mr. BISHOP: What was their attitude about preferences in general?

Mr. McKINNON: Their attitude about preferences in general was that under the circumstances in which we were meeting at Geneva, preferences were generally negotiable; and they felt, as did we, that if they could get paid enough for reducing or eliminating preferences, they were quite prepared to negotiate them. In the end, they were willing to reduce or eliminate as Canada did.

Hon. Mr. DAVIES: What duty is paid on apples going into the United Kingdom?

Mr. McKINNON: They are duty-free. Our position has not changed, Mr. Senator; it is just that the preference we had over other countries is removed. I should probably bring out the point that for many years our goods have gone into the United Kingdom free, with very few exceptions. That is still the case; duties have not been imposed on Canadian products.

The CHAIRMAN: Did they have any serious objection to reduction of preferences which they had in our own country?

Mr. McKINNON: Well, naturally, Senator Euler. And believe me, sir, they were consulted on every single one. There was not a preference given up by, shall we say, Britain, that we have enjoyed, without consultation with us; there was not a single preference in the Canadian tariff reduced or eliminated without consultation with either the United Kingdom, South Africa, Australia, or whatever country enjoyed the preference. Naturally, just as we for some time sought for the retention of as much as we could of the apple preference in their market, they argued as long and as vigorously as they could against any impairment of their margins here. But in the end, the entire result appeared to all parties to be sufficiently good on the whole that the present agreements were accepted.

Hon. Mr. McDONALD (*King's*): The only thing that might be said in defence of the apple grower here is this, that the apple grower, especially in the Annapolis Valley, is chiefly an apple grower; that is, he is not engaged in enough other branches of farming to enjoy the benefits which you got on some other agricultural products going into the States.

Mr. McKINNON: That is true, senator, in the sense that he had all his eggs in one basket; but for reasons beyond the control of every one of us that particular customer found himself unable to buy apples, and also had equipped himself to the point where he could supply his own apples. We do think that

the new United States duty on apples is not a barrier that any Canadian exporter could regard as in any way formidable. In fact, as I said, it is only one-third of our own duty.

Hon. Mr. CRERAR: What is the duty against foreign apples coming into Canada? Is it as low as the American duty against our apples going in there?

Hon. Mr. HAIG: It is about three times as high.

Hon. Mr. CRERAR: Three times as high?

Mr. McKINNON: Yes. Answering your question precisely, although that is getting into details, foreign apples, if any, coming into Canada, which would be mostly United States apples, will be free for a period of about six or eight weeks just prior to the coming into the market of our own product; thereafter, three-quarters of a cent a pound.

Hon. Mr. HOWARD: Three-quarters of a cent a pound?

Mr. McKINNON: Yes. It is still three times the height of the American duty on apples since we got the latter reduced.

Hon. Mr. LAMBERT: While we are on the subject of apples, may I mention processing. There is some new provision for processing enabling our apple growers to process apples and sell them to better advantage.

Mr. McKINNON: Well, as I mentioned, we got a reduction on more than fresh apples. We got it on dried apples, on canned apples; and if you have in mind—

Hon. Mr. LAMBERT: I was thinking of the Annapolis Valley apples. They are accustomed to shipping them in bulk. Now they have the chance of processing them.

Mr. McKINNON: I think that before you came in, Senator Lambert, I mentioned that the duty on fresh apples was reduced from 15 cents to 12½ cents, on dried apples from 2 cents to 1 cent, and on apples in all other forms, from 2½ to 1¼ cents.

Hon. A. L. BEAUBIEN: That is in the United States market.

Mr. McKINNON: That is in the United States market. There is a 50 per cent reduction on processed apples.

Hon. Mr. CAMPBELL: I wonder if Mr. McKinnon could deal with manufactured goods. He said there was a maximum reduction on natural products to the United States. I should like to hear something about manufactured products.

Mr. McKINNON: It just depends how far back we go, Senator Campbell, before we determine that a thing is manufactured. If you include chemicals—I do not know whether you do—as manufactured goods—

Hon. Mr. CAMPBELL: Yes, I do.

Mr. McKINNON: We did get substantial reductions in United States duties on a lot of the heavier chemicals, such as acetic acid. In fact we got substantial reductions on fifteen or twenty chemical products going into the United States. As regards base metals, I might illustrate by referring to aluminum ingots, blocks and bars, on which the duty was reduced from 3 to 2 cents; and from 6 to 3 cents on the rolling mill forms, which are, of course, quite highly manufactured products. The same thing applies in respect of nickel and zinc. In wood products, which Canada ought to be peculiarly able to make in large volume at fair prices, there is a list of some ten or fifteen manufactured products of wood.

The CHAIRMAN: And newsprint is free?

Mr. McKINNON: Newsprint is bound free, of course. There are a considerable number of reductions on paper, a quite considerable list of reductions on wood products, two or three very substantial reductions on metal products. Manufactures of metal, not otherwise provided for, constitute of course, a basket item that might include a thousand types of metal products. Also synthetic rubber. Can you think of any others particularly, Mr. Kemp?

Mr. KEMP: Electrical items.

Mr. McKINNON: Electrical goods; any commodity containing an electric element, pretty close to a 50 per cent reduction. On electric stoves, etcetera, a reduction from $17\frac{1}{2}$ to 10 per cent. These descriptions sound somewhat general but we have heard since we came back from Geneva of one concern alone in a town in Quebec that has obtained an order for nearly a million and a half dollars' worth of a certain type of stove. I am trying to be general so that I do not mention any firm by name. These stoves were for sale in the Middle West. They happen to be a product in which a year or two ago we had no trade whatever with the United States.

Hon. A. L. BEAUBIEN: Would that be an electric stove?

Mr. McKINNON: No, this particular one is not, although I can give you later a similar illustration in the electric field. I was speaking of a product made in Canada on which a couple of years ago there was no trade with the United States, but on which now, as Mr. Kemp says, the producers have in prospect, and indeed under firm order. I believe, between a million and a million and a half dollars' worth, and on which it just happens that under this agreement the duty has been reduced. I can think of another Senator Beaubien, an electric product, in which a year or so ago the producers made an experimental shipment of six or eight; the next order was for fifteen hundred. The product is appreciated there; has gained consumer acceptance; it is something we never thought of exporting to the United States, nor would one think of it in the ordinary way, because over there they are such great producers of electrical goods. But this product has gained consumer acceptance; and, again, it just happens that that item, although we know nothing about the product, has had a very substantial reduction in duty under this agreement. I mention those two to show the potentialities of some of these reductions, even though, when we negotiated the relevant items, we could not always pick out any particular commodity and say, "This is the one we are after". Instead of that we had to say, "We are after this whole tariff item because it covers a lot of things."

Hon. A. L. BEAUBIEN: And our lower cost of production—

Mr. McKINNON: —should give us an advantage.

Hon. Mr. CAMPBELL: When you speak of wood products, does that include sporting goods such as tennis rackets?

Mr. McKINNON: Mr. Kemp can give you that in detail. There is quite a group of reductions, covering skiing, hockey, tennis and similar equipment.

Hon. Mr. KINLEY: Have they touched yachts again?

Mr. McKINNON: Yes, there is another 50 per cent reduction, if I remember correctly.

Mr. KEMP: They divide them into two categories.

Hon. Mr. BISHOP: I think there is some confusion as to when these concessions will come into effect, and what is the condition precedent. Do they all hinge upon the Havana conference?

Mr. McKINNON: Not at all, Senator Bishop, not the tariff changes. Let me put it this way: as Mr. Deutsch said yesterday, twenty-three nations signed

at Geneva the agreement on tariffs and trade; eight undertook to bring it into effect immediately, that is the 1st of January; others will come along from time to time.

Hon. Mr. BISHOP: Is the United States in that eight?

Mr. McKINNON: The United States is in that eight; so is the United Kingdom; so is Canada; so is France; so are Belgium, and Holland. Therefore all these concessions on the several thousand items with these countries, in so far as the United States are concerned, become immediately and fully effective on the 1st of January.

Hon. Mr. BISHOP: And of course any concessions we make reciprocally?

Mr. McKINNON: To them? Yes, because the intention of the government is to bring the tariff changes into effect by order in council. Of course, the agreement has to be ratified by Parliament. But it can operate by order in council from the first day of January.

The CHAIRMAN: How about the countries other than the eight? When will they probably come in?

Mr. McKINNON: The difficulty in some cases was purely a matter of their constitutional practice and procedure: that they do not have the power to do it by executive action and have to await the assembling of their parliaments. Others are probably watching the situation at Havana very closely, and if what emerges there is not entirely to their liking they might be slower in bringing it into effect.

The CHAIRMAN: Still, they have signed the agreement.

Mr. McKINNON: Yes, they have signed the agreement. The January 1st situation is a matter of provisional application in advance of ratification by the constitutional authorities.

Hon. Mr. LAMBERT: These eight represent, I suppose, a very large percentage of our foreign trade?

Mr. McKINNON: I should think, 70 or 80 per cent of our foreign trade.

Hon. Mr. LAMBERT: As it has been in the past?

Mr. McKINNON: Yes; I would say so, probably close to 80 per cent.

Hon. Mr. LAMBERT: These concessions, then, should increase it?

Mr. McKINNON: Oh yes, undoubtedly should, unless some unforeseen calamitous condition develops.

Hon. Mr. LAMBERT: Of course this trade agreement will be subject as far as Canada is concerned to the reservations that were discussed yesterday?

Mr. McKINNON: That is right.

Hon. Mr. DAVIES: When is it expected that the Havana conference will be concluded?

Mr. McKINNON: Well, having been eight months at Geneva, my own guess would be that it will probably be a minimum of three months. I think we read the other day that there have been some eight hundred amendments moved to the charter to date, and even if they disposed of these by a ye and nay vote, it would take quite a long time to get through with them. However, as Mr. Deutsch emphasized yesterday, the vital thing is this: the abridged edition of the charter called the Agreement can stand on its own feet. It contains all the vital elements for a trade agreement; and even though the charter should be vitiated, or even though there should emerge no charter at all, the original group have got something quite good enough to go ahead on in the General Agreement. It can stand on its own feet and it is not subject to the vicissitudes of the discussions at Havana among some sixty nations.

HON. MR. CAMPBELL: What did you get with respect to farm machinery going to the United States?

MR. MCKINNON: We are now getting into detail; but farm machinery was already admitted free to the United States. There was one slight fly in the ointment: if I remember correctly, the United States duty on cream separators depends on the value of the separator. Over a certain value it had a certain duty, under a certain value it had a different duty; and it just happened that in respect of the single dutiable item our exporters found themselves sometimes in the wrong value bracket.

We were able to get a very substantial adjustment on that with the result that I think we have the situation on separators amended today to a much greater advantage of Canadian exporters.

THE CHAIRMAN: That is reciprocal.

MR. MCKINNON: That is right.

THE CHAIRMAN: Are there any further questions to be asked of Mr. McKinnon before Mr. Kemp takes over?

MR. KEMP, (Director of Commercial Relations Division, Department of Trade and Commerce): Mr. Chairman and honourable senators, a good many of the general remarks that I might have made have been so adequately covered by Mr. Deutsch and Mr. McKinnon that I shall try to cut short what I might have said so as to avoid repetition. However, I should like to make a few general observations.

Among the countries with which we had to deal the most important, of course, from the point of view of the volume of trade involved, was the United States. The United States was also a country which was characterized by a relatively high tariff before the beginning of these negotiations, and from both of these points of view, it had a good deal to offer to us and was naturally in a strong position to ask for concessions in return. It was therefore necessary to make concessions, not only in regard to Canadian tariff rates, but also with regard to preferences enjoyed in various other countries. It was quite obvious that it was necessary for some preferences to be completely eliminated and for others to be cut in order to persuade the United States that it was getting enough out of the agreement, and to make it worthwhile for the United States to make the concessions which it in turn made. I think we have all felt that the concessions made by that country have been very well worthwhile from our point of view.

Mr. McKinnon has pointed out certain restrictions under which the United States negotiators were operating. In the first place there was a restriction that they could not reduce any duty by more than fifty per cent of the amount of the duty in existence on January 1, 1945. Now, if they have already made a reduction of fifty per cent in that rate of duty, I do not believe it would be possible for them to come back under existing legislation and make a further reduction at the present time. Their powers under the existing law were exhausted when they reduced the rate to fifty per cent of that existing at the beginning of 1945.

THE CHAIRMAN: Do you mean that there would have to be further legislation in the United States before they could make any further reductions?

MR. KEMP: I understand that is the case—that fifty per cent of the January 1945 duty was the greatest reduction possible under the existing legislation.

MR. MCKINNON: Perhaps you should add that according to their statutes their temporary power runs out in June of this year. It is not for us to say what they may later do, but the power under which the president has carried on with, say, Canada, in three successive agreements, runs out in June of this year.

Mr. KEMP: The second restriction to which they were subject was that they were not allowed to transfer any item from the dutiable list to the free list. We have occasionally been asked why we did not succeed in getting some duty, which was already low, wiped out altogether. The answer is that however willing the negotiators might have been to wipe out the duty altogether, they were not allowed to transfer anything to the free list. I think it is possible that there are some low duties that are hardly worth the cost of collection.

Mr. McKINNON: My memory is that there is one that is two per cent ad valorem now but they could not put it on the free list because their powers did not provide for doing that.

Mr. KEMP: In the case of Christmas trees the duty at the present time is only five per cent, and when many of these Christmas trees go into the United States they are valued at only ten or fifteen cents apiece. I am quite sure that that is a duty which does not pay the cost of collection. Nevertheless, our American friends were not permitted by their existing legislation to wipe out that duty, even though they might have been disposed to do so.

There is a third limitation that has not been mentioned by my colleagues that I might call to your attention. Before the Geneva conference began, the authorities of the United States prepared what we call a statutory list, of which I have a copy in this gray book of products on which possible tariff concessions might be considered in reciprocal trade negotiations. Unless an item was found on this list, which had been drawn up with great care in Washington, the negotiators in Geneva were not allowed to do anything about it. Quite possibly when you come to ask questions about individual items later on, we may have to reply that this item or that item could not be dealt with because it was not on the statutory list.

Mr. McKinnon has given you one of the principal reasons why items were left off the statutory list, and this was the fact that the United States preferred to negotiate in each case with the principal supplier of a particular article. When the principal supplier was a country that was not going to be represented at Geneva, they very often decided to leave that particular article off the statutory list so that there was nothing that either they or we could do about it until the time comes when they are in a position to negotiate with the principal supplier.

Hon. Mr. TURGEON: Was that statutory list made under congressional authority or by executive authority?

Mr. KEMP: It is prepared by the Interdepartmental Trade Agreements Organization representing the Departments of State, Commerce, Agriculture, Treasury, War, Navy and the United States Tariff Commission.

The CHAIRMAN: Was it ratified by legislation?

Mr. KEMP: It is made under authority which has been given to this body by legislation.

There is still one other restriction that I should like to mention to you as illustrating some of the difficulties of negotiating. The representatives with whom we negotiated did not have the final word when it came to offering a concession or refusing one. They themselves had to go back to the Tariff Agreements Committee. We never met the Tariff Agreements Committee although we met some individual members of it. We did not have an opportunity to negotiate with the committee. On the committee there were represented the organizations of which I have spoken: the Departments of State, Commerce, Agriculture, Treasury, War, Navy and the Tariff Commission. Occasionally it happened that the people with whom we negotiated showed some sympathy with a request that we made but they found on applying to this committee that one

or other of the departments that I have mentioned would not feel willing to make the concession in question, and it sometimes happened we were not able to get any further.

These were the formal restrictions under which the United States was operating and it is not necessary to add that even though an item was on the statutory list it did not necessarily follow that the negotiating team or the committee would be willing to make a concession. There were some instances in which they had to acknowledge regretfully that they did not feel that a concession on a particular item would be acceptable.

Another principle used in the United States negotiations was the most-favoured-nation principle with which you are familiar. That is, whatever concession they gave to any one country they had to give to all the other countries which might become members of the organization. Perhaps I might add that our American friends regard tariff discrimination as a very undesirable thing, and having protested against it themselves on many occasions they were particularly careful to avoid embarking upon it themselves. Consequently if any particular country had asked them to give it a concession in some way which would prevent the concession from being applicable to a competitor, that was not the sort of request that could have been expected to be favourably entertained. Generally speaking it is only fair to say that our experience with the United States negotiators was that they showed themselves very anxious to avoid anything that might possibly be interpreted as being unfair to one country as against another, or discriminatory either for or against another country.

Hon. Mr. NICOL: Do you consider that the representatives of the United States had less power to negotiate than the representatives of Canada at that conference?

Mr. KEMP: Yes, I am sure that is the case because they had, to begin with, these form restrictions that they could not reduce the rate of duty more than fifty per cent, they could not transfer any item from the dutiable list to the free list, and the items which they were free to negotiate were limited to those in this published list.

Hon. Mr. NICOL: Canada gave more power to its representatives than the United States gave to their representatives?

Mr. KEMP: Perhaps one should say that the restrictions upon the Canadian representatives were a little bit different. They were not quite so cut and dried; they were not to be found in a printed document. Nevertheless, they were there in the consciousness, which our representatives had, that some day or other they would be meeting a body like this one and would have to justify what they had done.

Mr. McKINNON: Might I add that there is the further difference that the United States negotiating results become effective without any reference to congress at all. In our case they can be brought into effect provisionally by order in council—

Hon. Mr. NICOL: How long can they remain in effect by order in council?

Mr. McKINNON: There is no period of time named at all in the statutory authority under which they are brought into effect by order in council.

Hon. Mr. TURGEON: If parliament decided not to sustain it, it could not go beyond the session.

Hon. Mr. NICOL: If no act had been presented it could go on forever under order in council.

Mr. McKINNON: That is a possible situation, sir, but the results of our negotiations with the United States, in 1935, were brought into effect by order in council and later submitted to parliament. In 1938 they were brought into

effect by order in council and later submitted to parliament. The intention, so far as I know, is to bring this into effect on January 1 and then as the whole agreement presumably would be submitted to parliament along with all the schedules of tariff changes.

Hon. Mr. McKEEN: In each case it has been the succeeding parliament that has dealt with it if any change was made.

Mr. McKINNON: That is right, the succeeding session.

Hon. Mr. KING: Under the Customs tariff a change in the tariff may be made by order in council?

Mr. McKINNON: Yes, sir.

Hon. Mr. KING: And that has been so for years?

Mr. McKINNON: Yes, sir.

Hon. Mr. BALLANTYNE: I think we can say that the change would remain in effect so long as it was not disapproved by parliament.

Hon. Mr. KING: That would of course be so.

The CHAIRMAN: Supposing parliament did not deal with it at all, would it still remain in effect?

Mr. McKINNON: There is nothing in the statutory legislation as to the length of time a tariff change made by order in council may remain in effect.

Hon. A. L. BEAUBIEN: If parliament rejects an order in council it becomes null and void, does it not? That would seem to be common sense.

The CHAIRMAN: Legal sense and common sense are different things.

Hon. Mr. CRERAR: I understand, Mr. Chairman, that for many years it has been the law that any Canadian government can reduce duties by order in council, but cannot increase them.

Mr. McKINNON: Yes.

Hon. Mr. CRERAR: Any increase that is made must be approved by parliament. If any change made by the government is challenged in parliament, the government has to stand or fall by what parliament decides.

Mr. McKINNON: I think that is quite right, Senator Crerar, that in the past these things have been done provisionally by orders in council, which in due course have been submitted to parliament for approval.

The CHAIRMAN: But there is no need to ask parliament to approve of a reduction in the tariff, because the government has power to make a reduction by order in council.

Hon. Mr. BALLANTYNE: In the past, tariff changes have been dealt with in the budget.

Mr. McKINNON: In the past, sir, when there was any agreement such as we are considering now there was a separate resolution in the house and a separate bill, apart altogether from the budget.

Hon. Mr. LAMBERT: I have a question which I think is very pertinent, but there may be some political implications to it, and if so I will not press it. Without prejudicing what was done at Geneva would it have been possible, say at the beginning of 1946, to have negotiated with United States some or all of the advantages that are included in this agreement? It seems to me that the movement that was made at Geneva towards facilitating international trade was initiated by the United States in December, 1945.

Mr. McKINNON: That is right.

Hon. Mr. LAMBERT: That is, the idea of a multilateral treaty affecting the trade of the world. Would it have prejudiced the outcome so far as Canada is

concerned if some of the benefits to our exchange situation that are supposed to emanate from this arrangement had been negotiated earlier in a bilateral agreement with the United States?

Mr. McKINNON: Perhaps Mr. Deutsch can answer that.

Mr. DEUTSCH: In the past it has been the practice to generalize among the countries that we have treated as most favoured nations. And so far as the United States is concerned, it would have extended its benefits to its own most favoured nations.

The CHAIRMAN: It would have to do that.

Mr. DEUTSCH: Yes, so there would have been no possibility of making a purely bilateral treaty with the United States. Whatever arrangement was made with the United States would automatically extend to the countries that were represented at Geneva, anyway. Furthermore, I think it would have been difficult to negotiate a treaty prior to Geneva, because ever since 1945 and indeed earlier the United States has had this project in mind and has been working actively on preparations for these negotiations. I do not think the United States would have been very receptive to a suggestion by Canada that we get off somewhere by ourselves and make our own arrangement. That country was doing its best to bring about a conference as quickly as possible, and the earliest time that could be arranged was this summer.

The CHAIRMAN: The United States would probably have declined to negotiate a bilateral agreement, in view of what it was planning to do as soon as possible.

Mr. DEUTSCH: I cannot make a definite reply, but my guess is that the United States would have discouraged such an approach from us.

Mr. KEMP: I might perhaps add that since the middle of 1945 our department has in fact made representations to the United States authorities with regard to certain items on which we felt that there were situations that might be corrected or improved, and each time we have done that they have replied that they recognized that something might be done but they would prefer not to touch it until the general negotiations began. After we had that experience a few times we realized there was no use in trying to take up individual cases in advance of the general negotiations.

The CHAIRMAN: Did you get pretty well what you wanted in those cases when the negotiations were begun?

Mr. KEMP: In some cases we did, sir, and in some we did not.

The CHAIRMAN: Does the committee desire to go into these schedules now, before adjournment?

Hon. Mr. HAIG: I do not think so, Mr. Chairman.

Mr. KEMP: Mr. Chairman, I had some thought of saying a few words about other countries.

The CHAIRMAN: Then you may proceed, Mr. Kemp.

Mr. KEMP: I mentioned the United States first, because it is the country with which our export trade was largest, but from some points of view I should perhaps have begun by saying something about the British Empire. The United Kingdom is of course our traditional export market for many important commodities. Besides, it has suffered very greatly from the effects of the war. We had every reason, therefore, for desiring to improve our trade relations with the United Kingdom. Notwithstanding that, there were very great restrictions upon any trade agreement that we might make on this occasion with the United Kingdom. To begin with, they themselves had accepted the principle that there should be no new preferences, no widening of existing preferences, and that in fact there should be negotiations for the narrowing of existing preferences.

They had accepted this obligation in connection with the loan which they negotiated with the United States about the end of 1945. Therefore they were not able to give us any new preferences, even if they had wished to do so. Actually, the great majority of our products already entered the United Kingdom duty free, so that was a second reason why there was not very much that they could have done for us. We in turn became obligated not to concede to them any new preferences or to widen any existing ones. These restrictions meant that if the United Kingdom reduced any duties in our favour they had to make the same reduction for all the most favoured nations; and similarly, if we reduced any duties in favour of the United Kingdom we had to make an equal reduction for all the most favoured nations.

These restrictions on our possible negotiations with the United Kingdom were also applicable to Australia, New Zealand, South Africa, India and Pakistan. While we were at Geneva, India was bisected and we found that instead of dealing only with India we were dealing with Pakistan also. Pakistan was regarded as an inheritor of the Indian preferential position, and now enjoys preferential treatment, as does India. During our stay in Geneva, Burma also took steps toward separation, and it is regarded as a separate country for these purposes. So are the British West Indies, with which we have a separate agreement, and Newfoundland.

In all these cases we were unable to give them any preferences that we did not already give, and we were unable to get from them any preferences that we did not already receive.

I will now pass on to the other countries and say a brief word about each. France is a country with which we were very anxious to make a favourable trade agreement, an agreement favourable to both sides. It is a country that has strong traditional ties with our own country, and they have been reinforced by the experience of two wars. There is much in common between the culture of the two countries. We did our very best to arrive at favourable results with France, and I think she reciprocated. It is a country in which agriculture is very important, both economically and politically; and agricultural protection is deeply rooted in her history and institutions. Notwithstanding that, we did get some important agricultural concessions from France.

One feature of French trading is that their exports depend to a considerable extent upon what we are apt to consider luxury lines, including such things as wines, spirits, perfumes, fine textiles, embroidery, jewellery, some of the expensive kinds of cheese, *pâte de foie gras*, and so on. These were among the things that they were particularly anxious to sell to us.

France is also a country which goes in very extensively for the system of state monopolies which Mr. McKinnon has discussed, and in our negotiations with France it was just as necessary to make agreements about state monopolies as about the tariff itself. France has also some monopolies which are not state monopolies, but are organizations of importers which have been given a concession to be sole importers of various articles. We had to give some consideration to the operations of these organizations.

Mr. McKinnon has mentioned the importance of Benelux in our trade negotiations. This new customs union, which is in the process of being set up, covers a population of some 17 million; they are energetic and vigorous people, recovering rapidly from the devastation of war, and we found them extremely friendly to Canada.

The CHAIRMAN: Benelux refers to the three countries, the Netherlands, Belgium and Luxembourg, but does it mean that those countries have no tariffs whatsoever against each other and that they have the same tariffs against all outsiders?

Mr. KEMP: That is the situation.

Hon. Mr. LAMBERT: Did the credit which this country extended to France have any bearing on our negotiations with that country?

Mr. KEMP: Yes, it did.

Hon. Mr. LAMBERT: It would make it easier to negotiate with that country.

Mr. KEMP: It was frequently quoted to us as a reason why we should reduce the duties against them. But quite apart from that, sir, it was obviously regarded by the French people with whom we were dealing as a mark of friendship on the part of Canada, and I am sure it had an important effect in helping along our negotiations, as indeed did the loans that we have made to several other countries. We experienced a substantial sense of gratitude which was not, I am sure, limited to words only.

Hon. Mr. HAIG: France did not suggest to you that we should give them reductions so that she could pay back her debt to us?

Mr. KEMP: That was the argument.

Hon. Mr. HAIG: That is what I thought the argument would be. They are like certain fellows in Winnipeg who when you lend them some money want you to cut the rate so that they can pay it back.

Hon. Mr. CRRERAR: It is not an unreasonable argument.

Hon. Mr. HAIG: It is a human argument.

Hon. Mr. BEAUBIEN: It is the only way they can pay back the loan.

Mr. KEMP: Referring again to Benelux, we found that the countries desired to make concessions to us, as well as to receive them from us; we have actually got some concessions which are well worthwhile, and some have also been extended by the colonies and dependencies of the Netherlands and Belgium. We succeeded in making an agreement with Czechoslovakia on various items. Perhaps it was not so extensive as in some other cases, but nevertheless worthwhile. Norway has a small population and a number of her industries are competitive with our own, such as fish, fur, lumber, paper and so on. But even with Norway we were able to obtain some concessions, as to agricultural products, wheat and other things, and we received some other worthwhile concessions from them.

There were three Latin American countries represented at the conference. First, Cuba was of particular interest to us because it is a country that receives preferences from the United States and grants them in turn to the United States. Although we were in a sense on the defensive with regard to preferences exchanged with the British Commonwealth, as to Cuba we were endeavouring to obtain a narrowing of the existing margins of preferences. We were successful, notably with regard to fish and flour items, of which the details can be given when you are ready to take them up.

Hon. Mr. LAMBERT: Did we not at one time ship a good deal of flour to Cuba?

Mr. KEMP: Yes, we did.

Hon. Mr. LAMBERT: That had been interfered with considerably by a sugar agreement between the United States and Cuba. Is that still in effect?

Mr. KEMP: They have consented to narrowing considerably the margin of preference which they gave to the United States on flour, but they have not wiped it out entirely.

Hon. Mr. LAMBERT: Is that not due to the special agreement or understanding in connection with sugar control?

Mr. KEMP: I do not think it is specifically tied to that by law, but no doubt that was one of the factors which led them to concede it.

Brazil is a large country on the other side of the equator, with which we have felt that we ought to be able to improve our trade. We have obtained

from Brazil some quite valuable concessions with respect to fish. That country is in the process of setting up a system of direct shipment between Rio and Canada's eastern ports; we hope that will also assist us in developing our trade with that country.

Chile is a country with which our trade has been very limited; and although we have obtained some concessions they are not of a substantial character because of the narrowness of the trade. China is in much the same condition. She is a country with probably great potentialities for the future, but up to the present time neither her exports or her imports have been large. Probably what she needs most is a substantial supply of foreign capital for development purposes.

Finally, Lebanon and Syria were represented at the conference. Probably all that most of us remember about the trade with Lebanon is what we have read about it in the Old Testament. The amount of our trade with that country is so small that I am not sure that we were actually able to get any particular concessions from them or give them any; neither of us is a principal supplier to the other country in any particular commodity. However, we did agree to exchange most favoured nation treatment.

That is about all I wish to say in a general way, Mr. Chairman.

The Committee adjourned at 12.45 p.m. to meet again tomorrow, December 18, at 10.30 a.m.

